



## State heading toward highest unemployment

By George Runner

The state of Nevada has the highest unemployment rate in the nation, but California is a close second. Unfortunately, recent employment trends show California could soon swap places with Nevada, assuming the dubious distinction of having the worst unemployment rate in America. This is discouraging news for California's more than two million unemployed workers.

Adding insult to injury, California's liberal political leaders are like a flock of ostriches with their heads in the sand when it comes to getting California's economy back on track. As lawmakers continue their annual tradition of sending "job killer" bills to the governor's desk, California's economy remains stuck in neutral even as other states pass us by.

Take Nevada, for instance. Nevada's unemployment rate, which peaked at 14.9 percent -- considerably higher than California's 12.5 percent peak -- has fallen to just 12.1 percent. That's only four tenths of 1 percent higher than our state's current unemployment rate.

Nevada isn't the only high unemployment state recovering faster than California. Michigan's peak unemployment rate of 14.9 percent has fallen more than four points to 10.3 percent.

Clearly, the economic recoveries of Nevada, Michigan and many other states are outshining our own.

This reality is underscored by the flight of California's work force. Between 2005 and 2009 more than 870,000 Californians packed their bags and departed our state. The top destinations were Arizona, Texas and Oregon, but even Oklahoma attracted nearly 30,000 transplants.

### Warning signs

But it's not just California workers who are leaving. Our employers are as well. According to business relocation coach Joe Vranich, the number of California business relocations is five times higher this year than in 2009. He also warns that at least 14 states are actively recruiting California business owners, encouraging them to expand or relocate for cost savings of up to 40 percent.

The warning signs of California's jobs problems are everywhere, yet the California Legislature seems oblivious. Lawmakers waste their time on nonpriorities or churn out new taxes, fees, mandates and ridiculous regulations on business owners who are barely surviving.

The Sacramento Bee recently identified 10 bills to watch in the California Legislature. Nine of the 10 bills have nothing to do with jobs. Instead these bills seek to regulate unloaded guns, shark fins, cell phones, ski helmets, smoking and tanning. Given our Legislature's propensity to regulate every facet of our lives, it's no wonder the Mercatus Center recently ranked California as the third "least free" state in the nation.

A tenth bill on The Bee's list, dubbed the "Amazon tax," was recently approved by the Legislature as a budget measure and signed into law by Gov. Jerry Brown. This measure is just the sort of misguided law that may guarantee California soon becomes the nation's leader in unemployment.

### **Losing income**

Proponents of the so-called "Amazon tax" claim it will "create fairness" by "leveling the playing field" between California's brick-and-mortar retailers and out-of-state online sellers. They claim it will generate \$200 million in new revenues for the state. But evidence shows this measure will actually cause California to lose, not gain, millions of dollars.

Amazon.com and other out-of-state online retailers have already terminated their California-based affiliate programs and are taking other steps to ensure that they have no legal connection to California that would force them to collect sales tax here. These out-of-state retailers continue to sell into California without collecting sales tax.

Meanwhile, the true victims of the "Amazon tax" are California job creators who will suffer an unavoidable loss of income if they continue to do business in this state. As many as 25,000 California affiliates who pay an estimated \$124 million in state income taxes are impacted. Small businesses that currently benefit from affiliate referrals will also suffer lost revenue.

Another surprising victim of this new law is eBay, a homegrown California success story and major private sector employer. Ironically, the "Amazon tax" will actually disadvantage eBay and drive online sellers away from eBay toward other platforms, like Amazon. As sellers living outside California discover that continued sales on eBay trigger new, unwelcome relationships with California's tax auditors, they will take their business elsewhere. And I can't blame them.

Unless California's leaders want to make California the nation's unemployment leader, they need to radically transform their priorities. They need to stop making California offensive to business, and instead start wooing private sector jobs by extending a welcome mat to entrepreneurs and businesses of all kinds.

*George Runner, R-Antelope Valley, is a member of the California Board of Equalization.*